

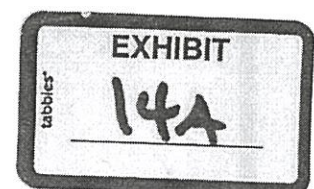
SEC18

From: Ted Livingston <ted@kik.com>
Sent: Thursday, February 16, 2017 2:35 PM
To: Kik Board <board@kik.com>
Cc: Derek Lebert <Derek.lebert@kik.com>
Subject: Doc
Attach: Kik Board Deck FINAL - February 16, 2017.pdf



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e: ted@kik.com
k: ted



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KIK_C00026-151



Board Meeting

February 16, 2017

Agenda

1. Process Update (Ted)
2. The Potential for an ICO (Erin)
3. The Potential for Growth (Eran)

Process Update

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Process Update

Credit Suisse

Zynga	NDA signed, Ted discussion with Mark Pincus, CS package sent
GREE	NDA signed, call was set up for this week, postponed to next week
Rakuten	NDA signed, call being set up for Thursday (02/23)

Chinese Renaissance

Meeting in NYC, package sent, we expect response on potential opps. next week

Tango

Founder/Chairman made an initial approach to Dany to exploring merger discussions

kik.

Kik & the Blockchain

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Market Context

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\$19 Billion

total market capitalization of
cryptoassets

50% three-year CAGR

~\$1BN in traditional VC
investment

~\$300M in decentralized
crowdfunded investment

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Cryptoinvestors are largely funding three areas

Blockchain Platforms



VC-funded
Seed: \$3.5M
Series A: \$32M



Crowdfund
\$18.4M

Infrastructure Projects



VC-funded
Series A: \$4M
Series C: \$27M



Crowdfunded
\$160M

Decentralized Applications



NA



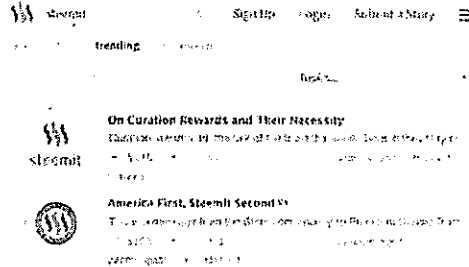
Crowdfunding
\$4.2M expected

8

But mainstream user adoption is still missing



<600k daily unique
addresses on the
bitcoin blockchain



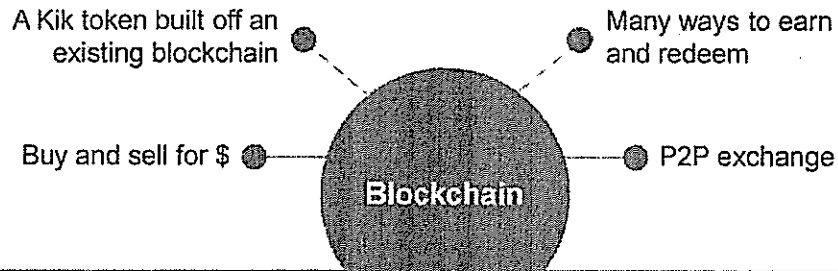
~120k STEEM accounts

The Immediate Opportunity

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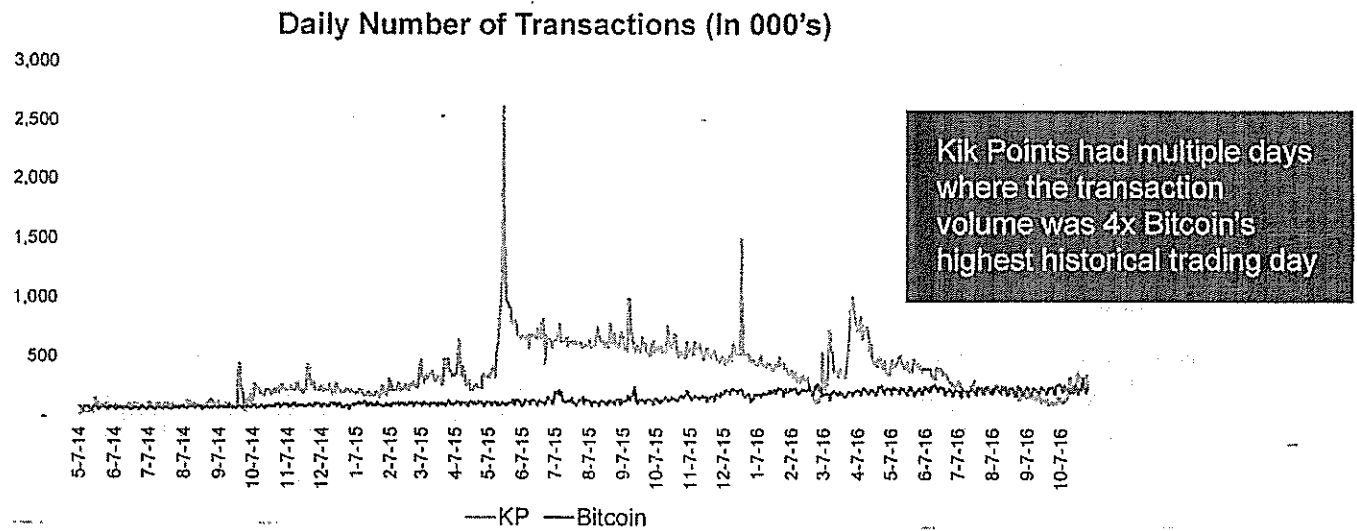
Kik can be the first major consumer network to apply real use cases built off the blockchain



We believe that the scale of our network alone will drive strong interest from the cryptoinvestor community

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The scale of the Kik network demonstrated



Source: Blockchain info, Internal Kik data.

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Crowdfunders have strong appetites for exploration



Would invest in tradable digital tokens of a non-blockchain company if offered good risk-return potential



Have owned 4+ types of digital tokens in the past year



Have owned 10+ types of digital tokens in the past year

Top reasons for investing in a decentralized crowdfunding:

- Very compelling/innovative product 45%
- Highly respected/competent team 19%
- Expectation of speculative outsized returns 15%
- Large revenue potential of the business 10%

What is the highest level of risk at which you would still be willing to invest in a prospective decentralized crowdfunding:

- Detailed whitepaper describing the product 44%
- Working beta of the product 34%
- Business is profitable and looking to expand 7%
- The team has promised to build a product 4%

Source: Confund Investor Survey

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The Bigger Picture

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Blockchain is a general purpose technology

There are 50+ verticals

Decentralized Accelerator
Decentralized Coding
Decentralized Crowdfunding
Decentralized Identity
Decentralized Media
Decentralized Online Dating
Decentralized Ride Sharing
Decentralized Social
Decentralized Workplace
Gaming
Gift Cards

Kik can pioneer new applications of the blockchain

Cryptocurrency use cases perfected inside of Kik can also be utilized by many outside of Kik

We know expressive content and tools are critical for users inside of Kik



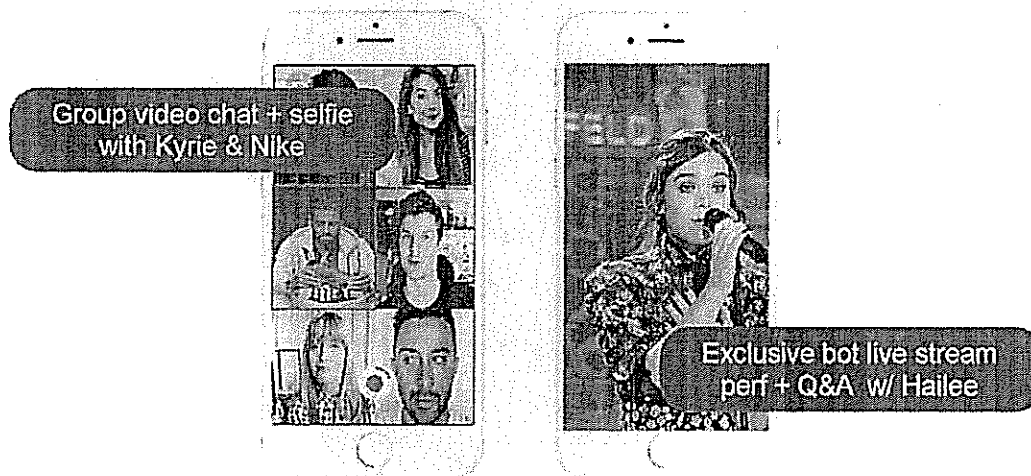
Outside of Kik

Social Content Platform



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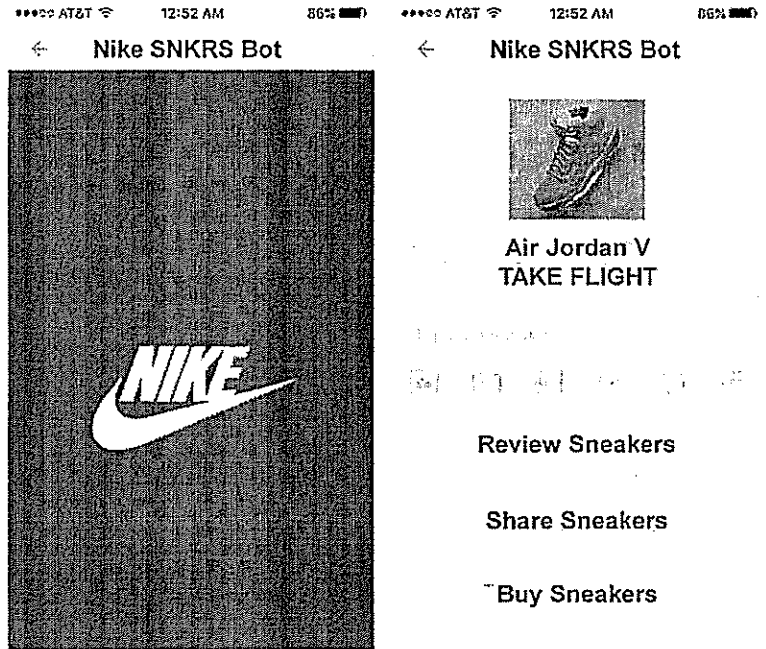
We know Kik users crave unique interactive experiences



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Outside of Kik

Bot Loyalty Platform



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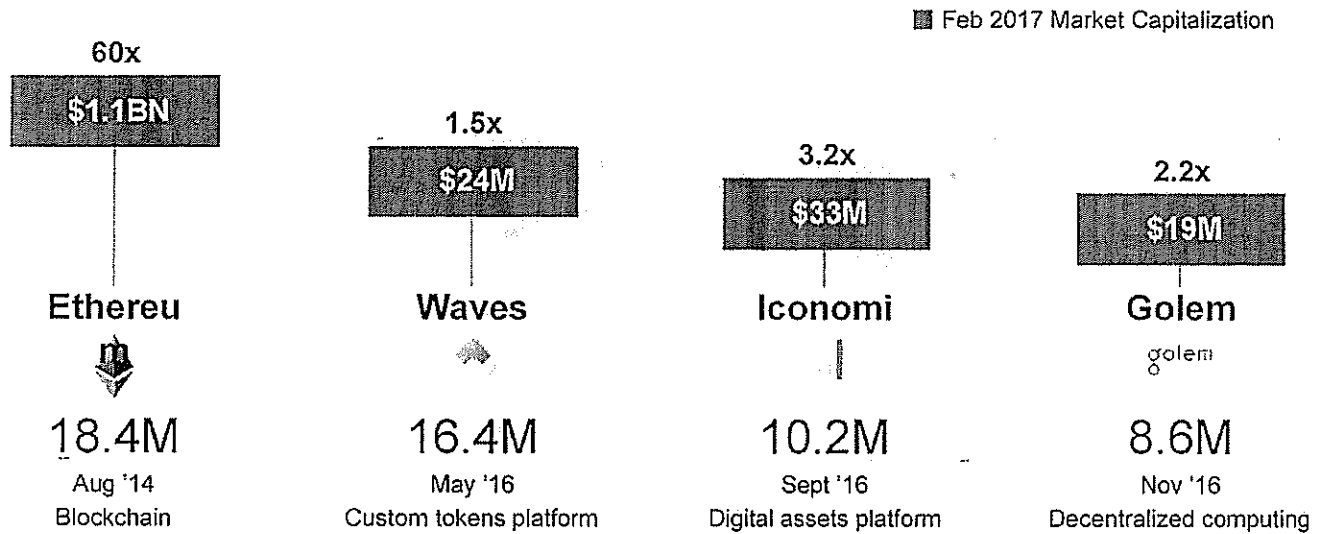
Next Steps

3 weeks to gauge preliminary investor interest

Model Discovery	2 wks	Propose viable crypto-economic models	COINFUND
Preliminary Validation	1 wk	Market fit between Kik & cryptoinvestors	
Specification	1 wk	Specify high-level features & structure of the model	
1 st Draft Whitepaper	2 wks	Construct an actionable whitepaper	
User Research		Understand fit with users (i.e., earn/redeem)	KIK
Brand/Developer Exploration		Understand interest amongst key stakeholders	

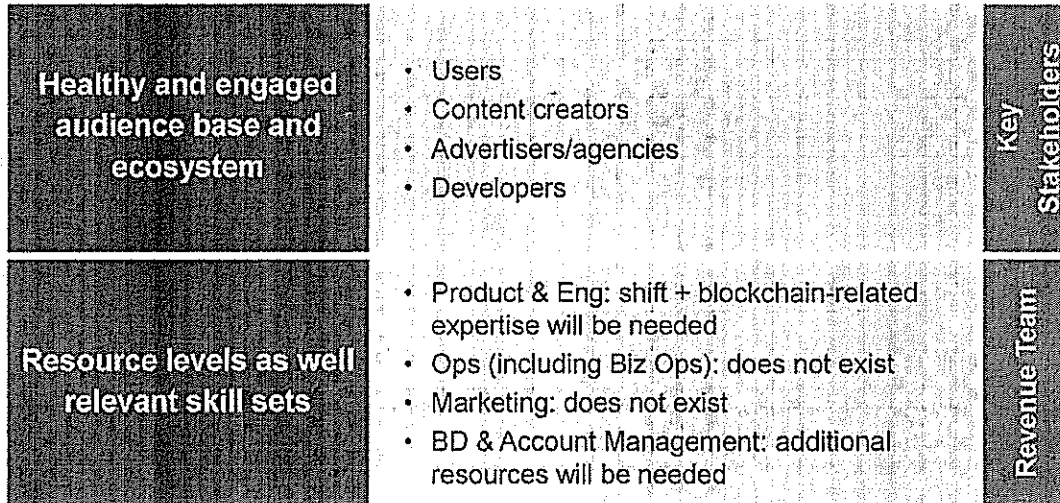
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Well-known decentralized token sales



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Key dependencies will need to be considered as we think about execution



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Initial Signs

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Only 7% DAU

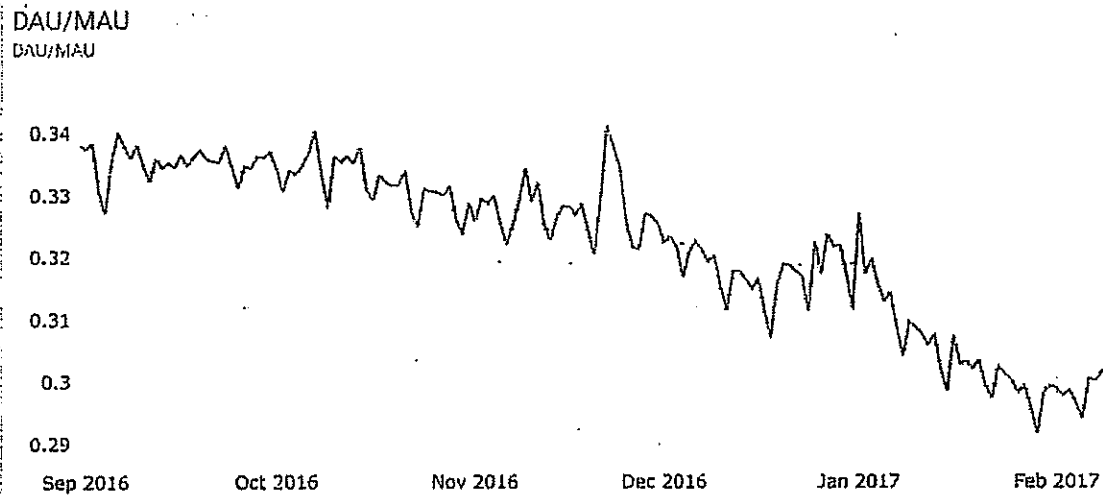
Used Public Groups

+23% 2 Day friends WAU

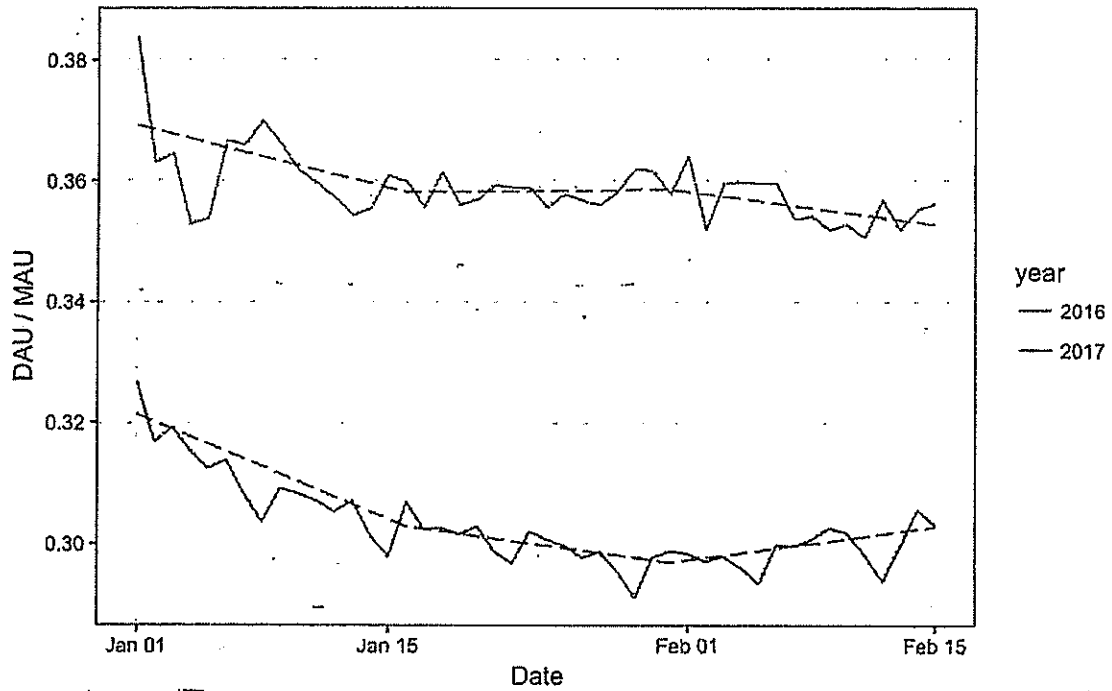
+8% total messages per week

DAU & MAU starting to flatten (+2.5%)

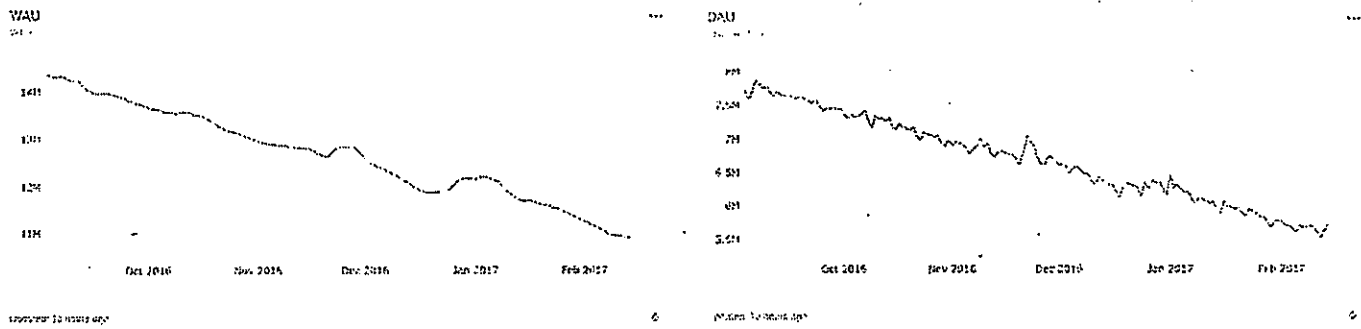
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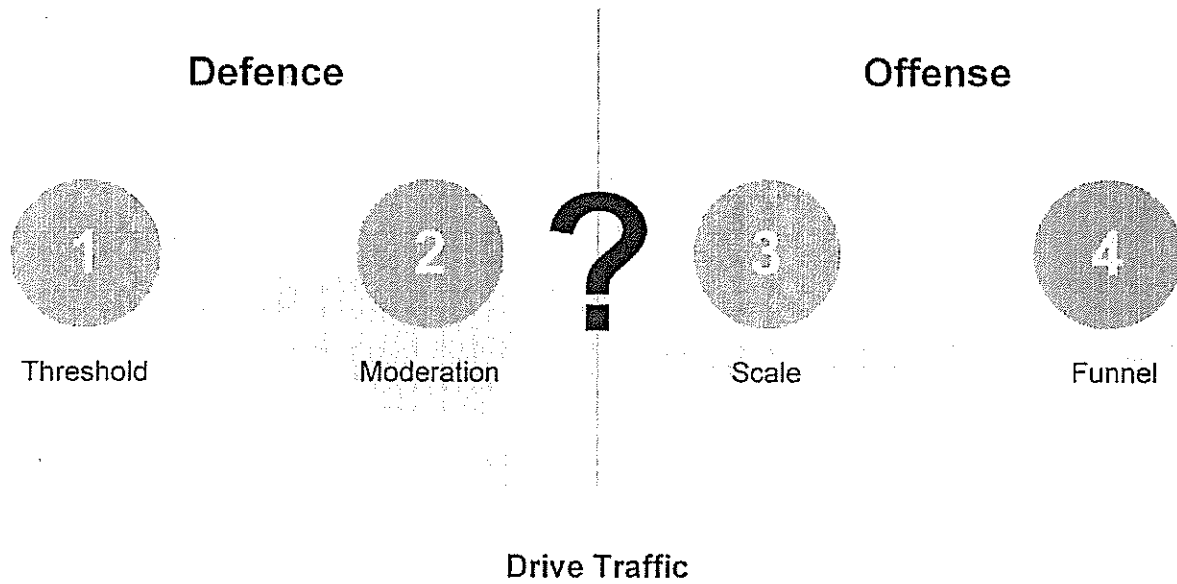


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- These are very early hints of growth effect:
- DAU and MAU are starting to appear to flatten
- It is very early to be seeing any effects in these graphs. Retention/activation changes are delayed

Next Steps



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Process

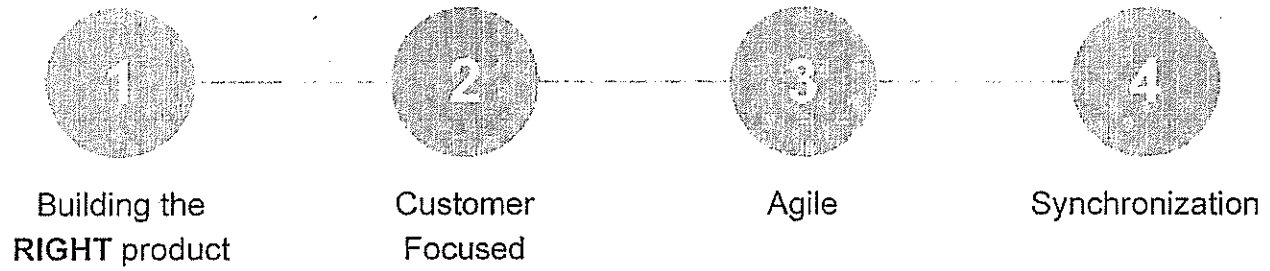
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The Product Process is Broken

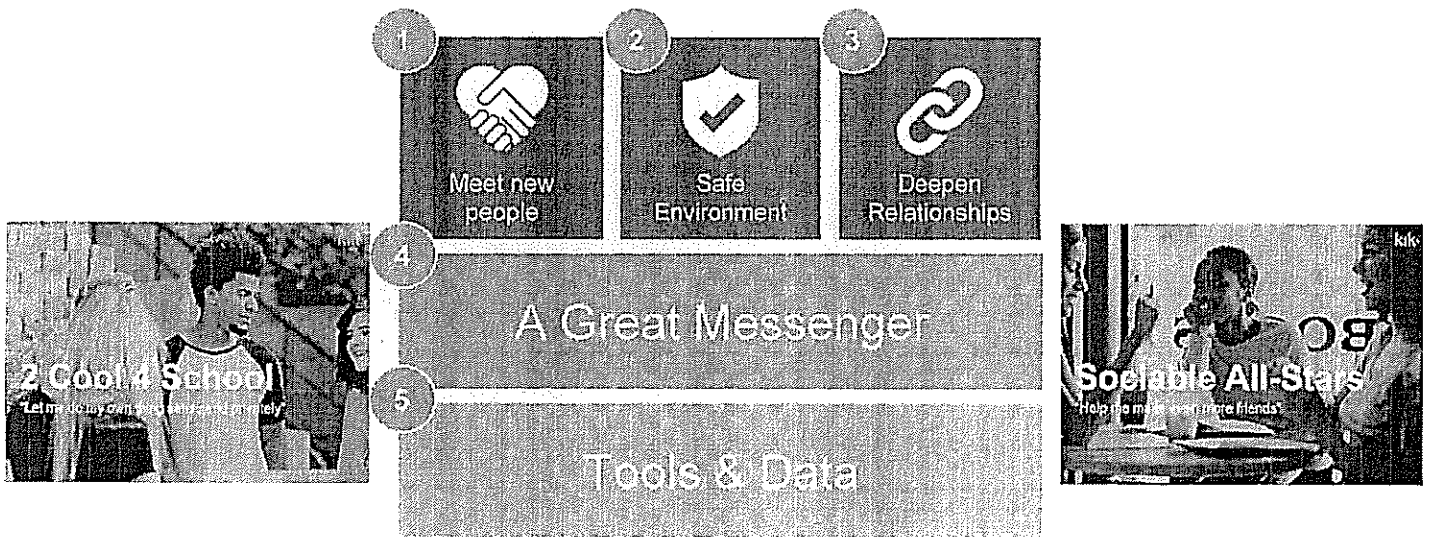
#1 - Organizational Structure Squads as label, not aligned to strategy	#2 - Tools Multiple tools, or same tool used differently Customer Facing Reporting Tool	#3 - Accountability Product decisions made by select few (Ideation to release process)	#4 - Innovation When to innovate? Higher Risk, 3X effort, Bottleneck	#5 - Ownership Who owns what? Responsiveness & escalation paths
#6 - Communication Lack of documentation Hallway decisions	#7 - PM Role PM as project, QA, BI, Dev Supporting roles	#8 - RIGHT Product We think we know this is RIGHT Lack of validation	#9 - Server + Mobile Monolithic structure, Roadmap not tied to strategic missions	#10 - Data Reliability, Access, Gaps, Lack of Real-time

Objectives



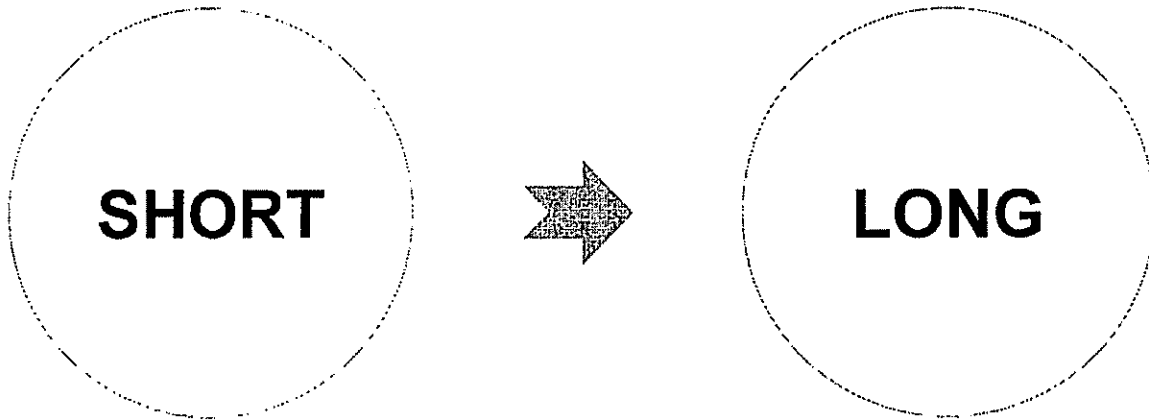
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Squads = Strategy



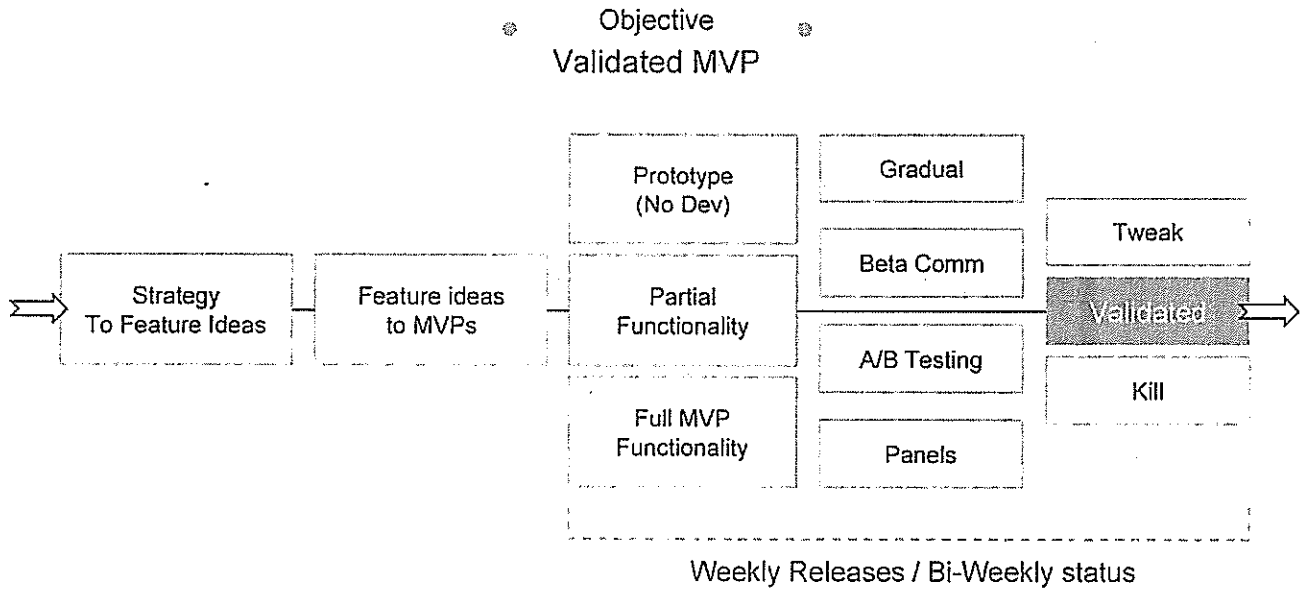
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Squad Efforts



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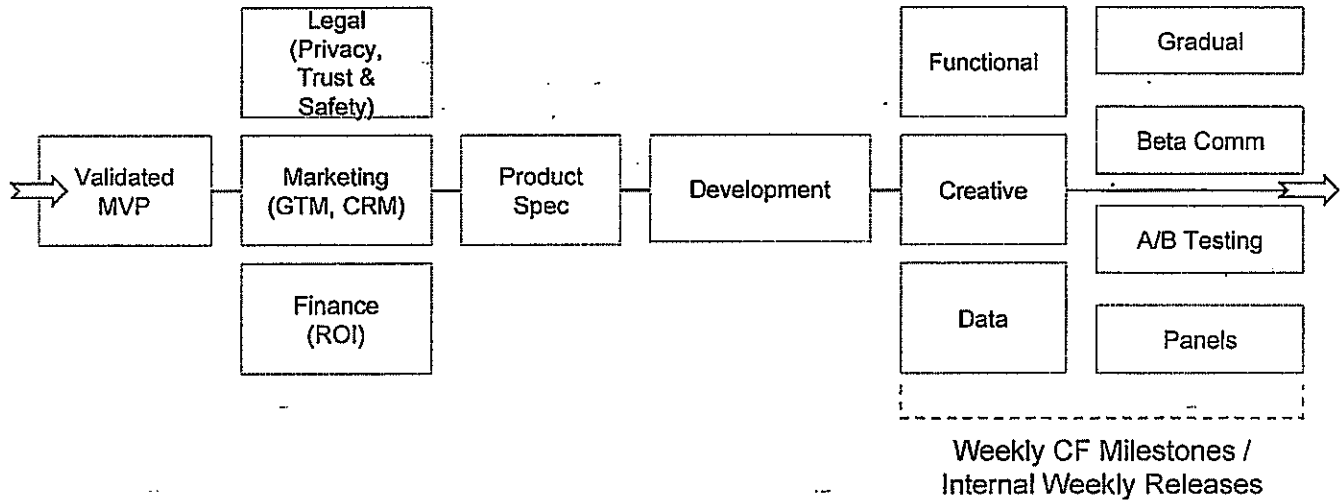
Short



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Long

Objective
RIGHT Product



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Customer Centric



BI

- Qualitative & Quantitative
- Behavioral Data
- KPI Hierarchy
- Success Criteria & ROI



UX

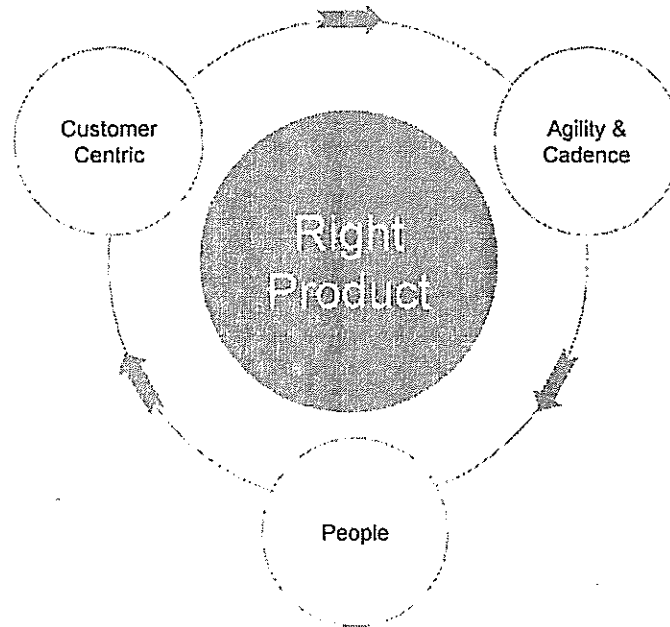
- Prototypes & Usability Testing
- User Journey Mapping
- UX Principles
- UX Structure generation



CI

- Consumer needs
- Short turnover validation
- User as Professor
- New feature(s) ideation

Next Steps



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Our Recommendation

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Appendix #1

Preliminary Cost Reduction Analysis

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Where are we at now?

Current Situation

- \$23.8M in cash (January 31, 2017)
- \$2.9M normalized current burn
- Runway to October 4, 2017
- Headcount of 166

Appendix 1 – Current vs Recommended

	Recommended Monthly Burn*	Current Monthly Burn**	Variance	Variance %	Comments
Server	643,306	735,148	(91,842)	(12)%	-Leveraging Rounds Server team to identify and execute cost savings opportunities (data archiving, data analytics)
Technical Expenses	55,309	109,022	(53,713)	(49)%	-Reassessment of spam prevention and analytics
Salaries and Benefits	1,147,516	1,277,333	(129,817)	(10)%	-Current headcount is 66 -Forecast headcount is 60 (includes hiring for Crypto)
Office and General	232,672	292,196	(59,523)	(20)%	-Reduction in variable office costs associated with headcount
Professional Fees and Consulting	145,833	72,337	73,497	102%	
External Moderation	106,333	31,754	74,580	235%	-Increased moderation bandwidth as public groups
Other	38,500	50,583	(11,683)	(22)%	-Operational and accounting services
3rd Party Development	12,778	14,000	(1,222)	(9)%	
Advertising and Promotion	137,500	141,781	(4,281)	(3)%	-Forecasted reduction in market activations and PR
Travel, Meals and Entertainment	81,257	75,463	5,794	8%	-Increased travel associated with Tel Aviv (original budget didn't include travel to Israel)
Legal Expenses	52,778	150,588	(97,810)	(65)%	-Expected reduced legal rounds transaction completed, reduction in Opperman
Operating Expenses Total	2,508,949	2,867,867	(358,918)	(13)%	
One-time Severance***	80,732	0	80,732	100%	

*Based on 12-month average

**Normalized for unusual/non-recurring expenses

***Assume severance to be incurred in March 2017 (month 1)

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Appendix 2 – Previous Budget vs Recommended

	Recommended Monthly Burn*	Budgeted** Monthly Burn	Variance	Variance %
Server	(\$43,306)	895,581	(252,275)	(28)%
Technical Expenses	(\$5,309)	111,511	(56,202)	(50)%
Salaries and Benefits	(\$1,147,516)	1,382,721	(235,205)	(17)%
Office and General	(\$232,672)	243,733	(11,060)	(5)%
Professional Fees and Consulting	(\$145,833)	236,500	(90,667)	(38)%
Moderation	(\$206,333)	169,000	(62,667)	(37)%
Other	(\$39,500)	67,500	(28,000)	(41)%
3rd Party Development	(\$12,778)	20,000	(7,222)	(36)%
Advertising and Promotion	(\$137,500)	315,357	(177,857)	(56)%
Travel, Meals and Entertainment	(\$1,257)	63,295	17,962	28%
Legal Expenses	(\$52,778)	107,000	(54,222)	(51)%
Operating Expenses Total	2,508,949	3,375,698	(866,748)	(35)%
One-time Severance***	80,732	0	80,732	100%

*Based on 9-month average

**Budget presented in October 2016

***Assumes severance to be incurred in March 2017 (month 1)

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